

NSC BRIEFING

27 August 1953

IMMEDIATE PROSPECTS IN IRAN

General Fazlollah Zahedi, who became Iranian prime minister on 19 August after ousting Mohammed Mossadeq, appears to be establishing a moderate nationalist government. He faces most of the problems which Mossadeq found insoluble, but his reputation for a realistic approach gives some hope for internal political stability and an improvement in the country's financial and economic situation.

Zahedi is moving rapidly to establish his control and many new officials have been appointed. These include cabinet ministers, police and army officers and provincial governors, nearly all of whom served in the government previously. The new appointees are generally experienced and as capable as the average Iranian official. Some Iranians have expressed regret that new blood has not been brought into the top ranks.

Zahedi has assumed the strategic posts of minister of national defense, interior, foreign affairs, and post and telegraph. Apparently he is hoping to establish his regime without wholesale replacements of government officials and with a minimum of force.

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Hussain Meftah, the former undersecretary in the Ministry of Foreign Affairs, has been appointed deputy foreign minister

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When Zahedi firmly establishes his control, he is expected to take steps to convoke the Majlis, which Mossadeq illegally dismissed. The shah has already promised elections after a new electoral law is drafted. Though the Majlis legal status is unclear, there are about 25 deputies remaining, as 54 pro-Mossadeq deputies resigned in mid-July to pave the way for its dissolution.

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The most urgent problems on which the new government may be expected to stand or fall are economic and financial. Previously, Zahedi pledged himself to a solution of the Anglo-Iranian oil dispute, although he has publicly stated that he will not grant the British any compensation. Hence, it is unlikely that an agreement will be reached easily. Both the prime minister and the shah would resist any attempt to negate the oil nationalization. Zahedi is considered anti-British and in addition he cannot risk a quick solution favorable to Britain which would lay him open to charges of being a British stooge. Zahedi is expected, however, to be more realistic in his approach than Mossadeq.

Iran will once again be oriented more toward the West than toward the Soviet Union, although both Zahedi and the shah may be expected to maintain formally friendly relations with the USSR. The negotiations which had started in Tehran between Iran and the USSR will probably be continued later if the Soviet Union desires. Although the Iranian foreign office has announced that further talks have been temporarily postponed, Iran's interest in settling its differences with the USSR still remains, regardless of the group in power. Under present circumstances it is, however, less likely that the two governments will be able

to achieve any significant settlement.

Iranian-American relations can be expected to improve. Zahedi is understood to be pro-American and will probably facilitate the work of the military missions and the Point IV program as much as possible. His son has also been employed by Point IV in Tehran. Zahedi will probably request financial aid from the US either directly or through the Export-Import Bank or the International Bank. The shah has already announced that Iran needs immediate aid and will accept it from any source.

Iranian-British relations are not expected to undergo any sudden change. Iran may offer to re-establish formal diplomatic relations as a prelude to opening oil discussions, but no close, friendly approach is expected until the oil dispute is settled.

If Zahedi can maintain his regime without establishing a military dictatorship, with the compliance of the shah, he may be able to win sufficient public backing to restore some measure of Iranian stability. His inability to restore immediately Iran's oil revenues through a quick settlement with the British will be a major handicap in his attempt to re-establish financial stability.

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